

Decision \_\_\_\_\_

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southwest Gas Corporation  
(U905G) for Authority to Implement a Plan  
of Reorganization that will Result in a  
Holding Company Structure.

Application 15-10-004  
(Filed October 13, 2015)

**DECISION GRANTING APPROVAL FOR SOUTHWEST GAS CORPORATION  
TO ISSUE STOCK AND IMPLEMENT A REORGANIZATION PLAN  
RESULTING IN A HOLDING COMPANY STRUCTURE**

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**DECISION GRANTING APPROVAL FOR SOUTHWEST GAS CORPORATION  
TO ISSUE STOCK AND IMPLEMENT A REORGANIZATION PLAN  
RESULTING IN A HOLDING COMPANY STRUCTURE****1. Summary**

This Decision grants authority to Southwest Gas Corporation under Public Utilities Code §§ 701 and 818 to issue stock and implement a reorganization plan resulting in a holding company structure.<sup>1</sup>

**2. Procedural Background**

Southwest Gas Corporation (Southwest Gas or Applicant) filed Application (A.) 15-10-004 on October 13, 2015. Southwest Gas states in A.15-10-004 that it seeks to implement a reorganization plan resulting in a holding company structure and notes the plan is similar to others previously approved by the Commission.

The application is uncontested.

**3. Application 15-10-004****3.1. The Applicant**

Southwest Gas is a public utility engaged in the retail distribution, transportation, and sale of natural gas for domestic, commercial, agricultural, and industrial uses. Southwest Gas currently serves approximately 1.9 million customers in California, Arizona, and Nevada.

Southwest Gas Corporation has its principal place of business at 5241 Spring Mountain Road, Las Vegas, Nevada 89150-0002, and the telephone number is (702) 876-7011. Southwest Gas is a corporation organized and existing

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<sup>1</sup> See, e.g., In Re: San Diego Gas & Electric Holding Company Application, D.95-05-021 (Interim Decision) and D.95-12-018; In Re: Pacific Gas & Electric Holding Company Application, D.96-11-017 (Interim Decision) and D.99-04-068.

under the laws of the state of California providing natural gas service as a public utility in California, and it is subject to the Commission's jurisdiction. Southwest Gas is also engaged in the intrastate transmission, distribution, and sale of natural gas as a public utility in certain portions of the states of Nevada and Arizona.

### **3.2. The Reorganization Plan**

The Plan creates three new California corporations – a publicly traded holding company (HoldCo), an intermediate holding company (Intermediate HoldCo) and a merger subsidiary (Merger Sub) – for the sole purpose of completing the transaction.<sup>2</sup> None of these entities currently exists; Southwest Gas intends to incorporate them after receiving all necessary regulatory approvals.<sup>3</sup>

The Plan is described as a “paper” transaction, accomplishing the reorganization through a reverse triangular merger. A reverse triangular merger is commonly used in utility holding company reorganizations because it accomplishes the reorganization without altering the utility's internal corporate structure, operations, or assets.

Through the reverse triangular merger, HoldCo will become the parent holding company. Initially, Southwest Gas will own the outstanding shares of HoldCo and HoldCo will own the outstanding shares of Merger Sub and Intermediate HoldCo. Upon receiving all necessary approvals, Merger Sub will

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<sup>2</sup> The actual names for these entities have not been selected; the names stated were provided for the purposes of the application.

<sup>3</sup> Southwest Gas is also seeking authority for its Plan from the Arizona Corporation Commission and the Public Utilities Commission of Nevada.

merge with Southwest Gas and Southwest Gas will be the surviving entity. Simultaneously, Southwest Gas shareholders will have their shares converted into HoldCo common stock on a share-for-share basis, and HoldCo will become the sole owner of all Southwest Gas common stock. HoldCo will then contribute Southwest Gas' common stock to Intermediate HoldCo, which will serve as the holding company for HoldCo's regulated entities.

All of Southwest Gas' outstanding debt securities at the time the Plan is implemented will continue to be held by Southwest Gas.

With one exception, the common stock of each of Southwest Gas' affiliates is currently owned (directly or indirectly) by Southwest Gas. Southwest Gas' wholly owned subsidiary, Carson Water Company, is the holding company for the non-regulated construction services line of business.<sup>4</sup> As part of the Plan, Southwest Gas will distribute its shares in Carson Water Company to HoldCo.

Southwest Gas will continue to own (directly or indirectly) all of the outstanding shares of its Federal Energy Regulatory Commission regulated affiliates, Paiute Pipeline Company (Paiute) and Southwest Gas Transmission Company (SGTC).<sup>5</sup>

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<sup>4</sup> Carson Water Company owns 96.6% of the issued and outstanding stock of Centuri Construction Group, Inc. (Centuri). The remaining 3.4% is owned by an unrelated third party.

<sup>5</sup> Paiute and SGTC are Southwest Gas' only regulated affiliates. Southwest Gas will also retain its ownership interest in certain non-regulated entities that are not involved with the construction services side of its business, namely, Utility Financial Corporation and The Southwest Companies. Southwest Gas will also continue to serve as Trustee of Southwest Gas Capital III and IV, which are Delaware Business Trusts.

The merger transaction contemplated under the Plan will not result in Southwest Gas transferring any of its utility assets or property to HoldCo, Intermediate HoldCo, or any other affiliate.

HoldCo's securities will be registered with the Securities and Exchange Commission.

The Plan can be accomplished without affecting the rights and preferences of current Southwest Gas shareholders. HoldCo will be a California corporation. Southwest Gas shareholders immediately prior to consummation of the Plan will own the same relative percentages of HoldCo following consummation of the Plan. Therefore, pursuant to Section 1201(b) of the California Corporations Code, this transaction does not require the approval of Southwest Gas' current shareholders.

Southwest Gas does not anticipate that the Plan will result in a taxable event, either under the California Revenue and Taxation Code or the Internal Revenue Code. The Internal Revenue Service (IRS) has previously treated this type of transaction as a non-taxable event in similar cases and Southwest Gas has requested a Private Letter Ruling from the IRS.

To the extent necessary, Southwest Gas will obtain approval of the Plan from certain creditors and other contractual counter-parties, or will provide any notifications required by the terms and conditions of applicable agreements.

All costs associated with securing the necessary approvals for the Plan and implementing the Plan, including any and all costs associated with the formation of HoldCo, Intermediate HoldCo and Merger Sub, will be borne by Company shareholders, and Southwest Gas will not seek to recover any portion of the costs in rates.

**3.3. Rationale for Reorganization**

Southwest Gas believes its Plan is in the best interests of both its customers and its shareholders. Southwest Gas contends the Plan will result in a holding company structure that furthers the separation between the Southwest Gas' utility function and its non-regulated construction services affiliates, without altering the Commission's ability to effectively regulate the Company's utility operations and without any change in the safe, reliable natural gas service the Company provides to its customers.

Southwest Gas states it already maintains substantial separation between the regulated utility and its non-regulated construction services affiliates, but the proposed holding company structure will increase the degree of financial separation ensuring that the financial results of the construction services affiliates should not impair Southwest Gas' capital structure, credit ratings, or cost of capital. The proposed structure will also better insulate utility assets and reduce the risk that those assets could be reached by creditors of the construction services affiliates. These reductions in financial and legal risk are inherent benefits to Southwest Gas' customers.

The Plan also offers greater flexibility in financing by allowing both the utility and the holding company to access capital markets. It will also separate the utility side of the business from any financial arrangements between the holding company and non-utility affiliates.

The Commission will continue to exercise jurisdiction over Southwest Gas in the same manner as it does today. The Federal Energy Regulatory Commission will continue to exercise jurisdiction over the Company's affiliates, Paiute Pipeline Company and Southwest Gas Transmission Company.

Most importantly, there will be no change in Southwest Gas' day-to-day operations following implementation of the Plan. The Company will continue providing safe and reliable natural gas service to its customers in the same manner as before the Plan.

### **3.4. Requested Authority**

Southwest Gas submits its Application pursuant to Public Utilities Code §§ 701 and 818.

Public Utilities Code § 701 provides the Commission the authority to supervise and regulate every public utility in the State, including Southwest Gas, and provides the Commission the authority to exercise regulatory oversight over the Company's Plan.

Public Utilities Code § 818 requires that before a public utility may issue stock or other evidence of ownership the utility must obtain an order from the Commission authorizing the issue.

Southwest Gas intends to issue a nominal amount of stock to complete the reorganization plan, as will HoldCo, Intermediate HoldCo and Merger Sub. The Commission has previously held similar plans of reorganization must be authorized under § 818.

### **3.5. Compliance with Rule 3.5**

California Public Utilities Commission Rules of Practice and Procedure, Rule 3.5<sup>6</sup> sets forth requirements for applications to issue stock. Southwest Gas' application complies with those requirements.

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<sup>6</sup> Title 20, California Code of Regulations.

A schedule containing a general description of Southwest Gas' California property and depreciation reserves as of June 30, 2015, is attached to the application as Exhibit G.

The draft Articles of Incorporation of HoldCo provide for issuing up to 5,000,000 shares of preferred stock, 2,000,000 shares of preference stock and 60,000,000 of common stock. For the purposes of this Application, Southwest Gas seeks authority to: (i) issue 100 shares of HoldCo stock which will be held by Southwest Gas; and (ii) issue a number of shares of HoldCo stock equal to the number of shares of Southwest Gas common stock outstanding immediately prior to the reorganization. The draft Articles of Incorporation of Merger Sub provide for issuing up to 1,000 shares of common stock. Southwest Gas seeks authority to issue 100 shares of common stock of Merger Sub, all of which will be issued to and held by HoldCo. The 100 outstanding shares of common stock of Merger Sub will be converted into the number of shares of common stock of Southwest Gas outstanding immediately prior to the transaction. The stock to be issued, described above, is necessary to implement the Plan.

A description of the Company's indebtedness and capitalization, as of June 30, 2015 is attached to the application as Exhibit H. The terms and conditions of the Plan are outlined by the application, are described by this decision, and are set forth in further detail in the Agreement of Merger attached to the application as Exhibit C. Attached to the application as Exhibit I is a pro forma balance sheet as of June 30, 2015, showing the consolidated entity and an adjustment for the non-regulated services, to arrive at a net statement of regulatory operations.

Southwest Gas is not assuming any obligations or liability as part of this transaction.

A copy of Southwest Gas' most recent proxy statement is attached to the application as Exhibit J.

Southwest Gas is not issuing debt as part of this transaction. Additional financial information is available in the Company's 10Q for the period ending June 30, 2015, a copy of which is attached to the application as Exhibit K.

A copy of the Reorganization Plan is attached to the application as Exhibit C.

#### **4. Discussion**

##### **4.1. Standard of Review**

The Commission has stated,

...the form of organization and ownership of any for-profit venture ought to lie, in the first instance, in the sound discretion of management, subject to the rights provided otherwise to the shareholders to consent, and subject to our oversight to the extent necessary to protect the public interest.<sup>7</sup>

To this end, when it considers applications to reorganize and create a holding company structure, the Commission has adopted a standard of review of "ratepayer indifference".<sup>8</sup> A utility seeking approval under Public Utilities Code § 818 to form a holding company structure will meet this standard by demonstrating no "more than that (1) a valid business purpose exists, and (2) the

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<sup>7</sup> D.96-11-017.

<sup>8</sup> See, e.g., In Re: San Diego Gas & Electric Holding Company Application, D.95-05-021 (Interim Decision) and D.95-12-018; In Re: Pacific Gas & Electric Holding Company Application, D.96-11-017 (Interim Decision) and D.99-04-068.

reorganization may be accomplished and future operations conducted pursuant to conditions that will be adequate to protect the public interest.”<sup>9</sup>

#### **4.1.1. A Valid Business Purpose Exists**

Southwest Gas has established a valid business purpose to form a holding company. The holding company structure will increase the separation between the regulated utility and the non-regulated construction services entities, will insulate the utility, and by that separation and insulation, will offer it greater financial and legal liability protection. It will also allow greater flexibility in financing by allowing both the utility and the holding company to access capital markets.

#### **4.1.2. The Public Interest Will Be Protected**

The Southwest Gas Plan may be completed and future operations conducted with the assurance that the public interest will continue to be adequately protected. The Plan is essentially a “paper” transaction which can be accomplished without any effect on Southwest Gas’ operations. The Plan does not involve any type of corporate rebranding or other changes, and current management will not be relocated or replaced. Southwest Gas customers will experience the same level of service, from the same utility, both before and after the reorganization. Furthermore, ratepayers will continue to pay the same Commission-authorized rates, and will not be responsible for the costs of implementing the Plan. Lastly, the Commission will continue to regulate Southwest Gas in the same manner it does today and, as discussed in further detail below, Southwest Gas will continue to comply with the Commission’s

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<sup>9</sup> D.96-11-017.

Affiliate Transaction Rules. Therefore, the public interest is, and will continue to be, adequately protected.

**4.1.3. Public Utilities Code Section 851 and 854 Do Not Apply**

Public Utilities Code § 851 states that a public utility shall not sell, lease, assign, mortgage or otherwise dispose of or encumber property without first securing an order from the Commission authorizing the transaction. The Southwest Gas' Plan does not contemplate the sale, lease, assignment, mortgage or other disposition or encumbrance of its utility property; authorization from the Commission under §851 is not required.

Public Utilities Code § 854(a) provides that no person or corporation shall merge, acquire, or directly or indirectly control a public utility organized and doing business in California without first securing authorization from the Commission. The Commission has the discretion, on a case by case basis, to apply § 854 to a holding company reorganization; however, the Commission has held holding company reorganizations are exempt from § 854 and authorization by the Commission is not required because the transaction is not an acquisition or change in actual control of the utility.<sup>10</sup> Under the Plan, the current owners of Southwest Gas will become the owners of HoldCo. HoldCo, in turn, will own (through Intermediate HoldCo) all of the common stock of Southwest Gas. Before and after the transaction, the ownership and control of Southwest Gas will continue to be retained by the same public shareholders. Therefore, the Plan is not a change in actual control or an acquisition and it is exempt from Public Utilities Code § 854.

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<sup>10</sup> See, e.g., D.95-05-021; D.96-11-017.

#### **4.2. California Affiliate Transaction Rules**

The Commission's Affiliate Transaction Rules<sup>11</sup> apply to Southwest Gas and its transactions with affiliates, "engaging in the provision of a product that uses gas ... or the provision of services that relate to the use of gas ...."<sup>12</sup>

The definition of "affiliate" in the Affiliate Transaction Rules includes "the utility's parent or holding company ... to the extent the holding company is engaged in the provision of products or services [that use gas or relate to the use of gas]."<sup>13</sup>

The Southwest Gas Plan requires the incorporation of three new California corporations: HoldCo, Intermediate HoldCo, and Merger Sub. HoldCo and Intermediate HoldCo will serve as holding companies. Merger Sub will not survive the reorganization. These entities will not provide a product or services relating to the use of gas. Therefore, they are not an "affiliate" under the rules and the Affiliate Transaction Rules do not apply.

Rule II.H of the Affiliate Transaction Rules provides, "A California utility which is also a multi-state utility and subject to the jurisdiction of other state regulatory commissions, may file an application...requesting a limited exemption from these Rules or a part thereof, for transactions between the utility solely in its capacity serving its jurisdictional areas wholly outside of California, and its affiliates."

The Commission has previously acknowledged Southwest Gas' multi-jurisdictional status, and has granted the Company limited exemptions from the

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<sup>11</sup> D.97-12-088, as modified by D.98-08-035, Appendix A.

<sup>12</sup> D.98-08-035, Appendix A, Rule II.B.

<sup>13</sup> D.98-08-035, Appendix A, Rule I.A.

scope of the Affiliate Transaction Rules pursuant to Rule II.H.<sup>14</sup> In its decisions, the Commission has instructed Southwest Gas provide the Commission and all interested parties notice of any material change in the business activities of the exempt affiliates that would alter the status of the limited exemptions. Southwest Gas' Plan will not result in a material change in any of the business activities performed by its currently exempt affiliates, and the exempt status related to these affiliates will continue with the reorganization that will result from implementation of the Plan.

Southwest Gas has acknowledged its continuing duty to provide the Commission and all interested parties notice of any material change in the business activities of HoldCo and/or Intermediate HoldCo that would alter the status of any limited exemptions.

Southwest Gas has recognized that even with the granting of limited exemptions, the Affiliate Transaction Rules contain provisions applicable to holding companies, with which it must comply. Upon implementation of its Plan and creation of the holding company structure, Southwest Gas has stated it will submit a revised California Affiliate Transaction Rules Compliance Plan that reflects the new corporate structure and demonstrates the Company's plan for compliance with the Affiliate Transaction Rules, including those portions of the Affiliate Transaction Rules applicable to holding companies.

#### **4.3. Conclusion**

Approval of the Application will protect the public interest. The holding company structure will strengthen the financial separation between the

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<sup>14</sup> D.99-02-086; D.99-11-016; D.10-09-005.

regulated utility and the non-regulated construction services entities, and will help insulate the utility from potential creditors of the non-utility businesses. It will also allow for greater flexibility in financing. Southwest Gas' ratepayers may benefit from these changes, and they will in no way be detrimentally affected by the Plan, especially since the company's management, regulatory oversight, and day-to-day operations will not change.

#### **5. California Environmental Quality Act**

Pursuant to the California Environmental Quality Act (CEQA)<sup>15</sup> and Rule 2.4, we must consider the environmental consequences of projects that are subject to our discretionary approval.

The Application seeks and this Decision authorizes a change in Southwest Gas' corporate structure. The Decision does not authorize any new construction, changes to the operations of Southwest Gas or any other entity, or changes in the use of existing assets and facilities. Therefore, it can be seen with certainty that this Decision will not have a significant impact on the environment and, for this reason, qualifies for an exemption from CEQA. Consequently, there is no need for further environmental review.

#### **6. Categorization and Need for Hearing**

In Resolution ALJ 176 3365, dated October 22, 2015, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary.

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<sup>15</sup> Public Resources Code § 21000 *et seq.*

**7. Comments on Proposed Decision**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Public Utilities Code Section 311(g)(2) and California Public Utilities Commission Rules of Practice and Procedure, Rule 14.6(c)(2), the otherwise applicable 30 day period for public review and comment is waived.

**8. Assignment of Proceeding**

Carla J. Peterman is the assigned Commissioner and Eric Wildgrube is the assigned ALJ in this proceeding.

**Findings of Fact**

1. Southwest Gas Corporation (Southwest Gas) is a corporation organized and existing under the laws of the state of California providing natural gas service as a public utility in California.
2. Southwest Gas filed Application (A.) 15-10-004 on October 13, 2015. Notice of the application appeared on the Daily Calendar on October 19, 2015. No protests have been filed. A hearing is not required.
3. Southwest Gas submits its Application pursuant to Public Utilities Code §§ 701 and 818.
4. Southwest Gas states in A.15-10-004 that it seeks to implement a reorganization plan resulting in a holding company structure.
5. The reorganization plan is similar to others previously approved by the Commission and will result in a holding company structure.
6. The Plan creates three new California corporations – a publicly traded holding company (HoldCo), an intermediate holding company (Intermediate HoldCo) and a merger subsidiary (Merger Sub) – for the sole purpose of completing the transaction.

7. Southwest Gas seeks authority under § 818 to issue 100 shares of HoldCo stock which will be held by Southwest Gas.

8. Southwest Gas seeks authority under § 818 to issue 100 shares of common stock of Merger Sub, which will be issued to and held by HoldCo.

9. Southwest Gas seeks authority under § 818 to issue a number of shares of HoldCo stock equal to the number of shares of Southwest Gas common stock outstanding immediately prior to the reorganization.

10. Merger Sub will merge with Southwest Gas, with Southwest Gas as the surviving entity.

11. Southwest Gas shareholders will have their shares converted into HoldCo common stock on a share-for-share basis, and HoldCo will become the sole owner of all Southwest Gas common stock.

12. HoldCo will then contribute Southwest Gas' common stock to Intermediate HoldCo, which will serve as the holding company for HoldCo's regulated entities.

13. All of Southwest Gas' outstanding debt securities at the time the Plan is implemented will continue to be held by Southwest Gas.

14. Southwest Gas' will distribute to HoldCo its shares in its wholly owned subsidiary, Carson Water Company, the holding company for the non-regulated construction services line of business.

15. Southwest Gas will continue to own (directly or indirectly) all of the outstanding shares of its Federal Energy Regulatory Commission regulated affiliates, Paiute Pipeline Company (Paiute) and Southwest Gas Transmission Company (SGTC).

16. The merger transaction contemplated under the Plan will not result in Southwest Gas transferring any of its utility assets or property to HoldCo, Intermediate HoldCo, or any other affiliate.

17. The Plan can be accomplished without affecting the rights and preferences of current Southwest Gas shareholders.

18. Southwest Gas shareholders immediately prior to consummation of the Plan will own the same relative percentages of HoldCo following consummation of the Plan.

19. All costs associated with securing the necessary approvals for the Plan and implementing the Plan, including any and all costs associated with the formation of HoldCo, Intermediate HoldCo and Merger Sub, will be borne by Company shareholders, and Southwest Gas will not seek to recover any portion thereof in rates.

20. A valid business purpose exists for the reorganization as it will result in a holding company structure that furthers the separation between the Southwest Gas' utility function and its non-regulated construction services affiliates without altering the Commission's ability to effectively regulate the Company's utility operations and without any change in the safe, reliable natural gas service the Company provides to its customers.

21. A valid business purpose further exists for the reorganization as the proposed holding company structure will increase the degree of financial separation ensuring that the financial results of the construction services affiliates should not impair Southwest Gas' capital structure, credit ratings, or cost of capital. The proposed structure will also better insulate utility assets and reduce the risk that those assets could be reached by creditors of the construction

services affiliates. These reductions in financial and legal risk are inherent benefits to Southwest Gas' ratepayers.

22. The Southwest Gas' Plan does not contemplate the sale, lease, assignment, mortgage or other disposition or encumbrance of its utility property.

23. Southwest Gas has acknowledged its continuing duty to provide the Commission and all interested parties notice of any material change in the business activities of HoldCo and/or Intermediate HoldCo that would alter the status of any limited exemptions from Affiliate Transaction Rules.

24. The Decision does not authorize any new construction, changes to the operations of Southwest Gas or other entity, or changes in the use of existing assets and facilities. The Decision will not have a significant impact on the environment.

25. The Commission will continue to exercise jurisdiction over Southwest Gas in the same manner as it does today.

26. There will be no change in Southwest Gas' day-to-day operations following implementation of the Plan.

27. Southwest Gas will continue providing safe and reliable natural gas service to its customers in the same manner as before the Plan.

### **Conclusions of Law**

1. Southwest Gas is subject to the Commission's jurisdiction and will continue to be subject to jurisdiction of the Commission in the same manner as it is today.

2. Public Utilities Code § 701 provides the Commission the authority to supervise and regulate every public utility in the State, including Southwest Gas, and provides the Commission the authority to exercise regulatory oversight over the Company's Plan.

3. The Plan should be approved under Public Utilities Code § 701.

4. Public Utilities Code § 818 requires that before a public utility may issue stock or other evidence of ownership the utility must obtain an order from the Commission authorizing the issue.

5. When the Commission considers applications to reorganize and create a holding company structure, the Commission has adopted a standard of review of “ratepayer indifference”.

6. A utility seeking approval under Public Utilities Code § 818 to form a holding company structure must demonstrate no “more than that (1) a valid business purpose exists, and (2) the reorganization may be accomplished and future operations conducted pursuant to conditions that will be adequate to protect the public interest.”

7. Southwest Gas has established a valid business purpose to form a holding company.

8. The Southwest Gas Plan may be completed and future operations conducted with the assurance that the public interest will continue to be adequately protected.

9. Southwest Gas should be granted authority under § 818 to issue 100 shares of HoldCo stock which will be held by Southwest Gas.

10. Southwest Gas should be granted authority under § 818 to issue 100 shares of common stock of Merger Sub, which will be issued to and held by HoldCo.

11. Southwest Gas should be granted authority under § 818 to issue a number of shares of HoldCo stock equal to the number of shares of Southwest Gas common stock outstanding immediately prior to the reorganization.

12. Public Utilities Code § 854(a) provides that no person or corporation shall merge, acquire, or directly or indirectly control a public utility organized and doing business in California without first securing authorization from the Commission.

13. The Plan is not a change in actual control or an acquisition; it is exempt from Public Utilities Code § 854.

14. Authorization from the Commission under §851 is not required because the Southwest Gas' Plan does not contemplate the sale, lease, assignment, mortgage or other disposition or encumbrance of its utility property.

15. The transaction does not require the approval of Southwest Gas' current shareholders pursuant to Section 1201(b) of the California Corporations Code.

16. The Commission's Affiliate Transaction Rules apply to Southwest Gas and its transactions with affiliates engaged in the provision of a product that uses gas or the provision of services that relate to the use of gas.

17. HoldCo, Intermediate HoldCo and Merger Sub will not provide a product or services relating to the use of gas. Therefore, they are not an "affiliate" under the rules and the Affiliate Transaction Rules do not apply.

18. Southwest Gas' Plan will not result in a material change in any of the business activities performed by its currently exempt affiliates.

19. The exempt status related to Southwest Gas' currently exempt affiliates will continue with the reorganization that will result from implementation of the Plan.

20. The Application qualifies for an exemption from CEQA and there is no need for further environmental review.

**O R D E R**

**IT IS ORDERED** that:

1. The application of Southwest Gas Corporation for authority pursuant to Public Utilities Code §701 to complete the Plan of reorganization is granted.
2. The application of Southwest Gas Corporation for authority pursuant to Public Utilities Code § 818 for the issuance of stock to complete the Plan of reorganization is granted.
3. All costs associated with securing the necessary approvals for the Plan and implementing the Plan, including any and all costs associated with the formation of HoldCo, Intermediate HoldCo and Merger Sub, will be borne by Company shareholders, and Southwest Gas will not seek to recover any portion thereof in rates.
4. Upon consummation of the Plan, Southwest Gas must immediately notify the Commission's Energy Division of the new corporate structure, any new affiliate, and post notice on its electronic bulletin board. Within sixty days of consummation of the Plan Southwest Gas must file with the Commission's Energy Division an advice letter reflecting the new corporate structure and demonstrating how the utility will continue to comply with the Affiliate Transaction Rules.
5. Southwest Gas will comply with its continuing duty to provide the Commission and all interested parties notice of any material change in the business activities of HoldCo and/or Intermediate HoldCo that would alter the status of any limited exemptions from Affiliate Transaction Rules.

6. The authority granted by this Order shall expire if not exercised within one year from the effective date of this Order.

7. Application 15-10-004 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.